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ABSTRACT

This document's purpose was to provide a broader context for State Board members as they considered the tuition rate requests for Arizona community college in April of 1997. Arizona's State Constitution calls for public higher education to be as nearly free as possible, yet tuition has become an increasingly important source of revenue for the community college districts in Arizona. After outlining the findings of the State Higher Education Executive Officers related to the national perspective on college costs, the report discusses the basic sources of community college funding in Arizona, recent changes in tuition in the state community colleges, factors influencing college funding, and the district tuition request form. The three basic sources of funding for operations are property taxes (the largest single source), equalization aid, operating state aid, tuition and fees, and other sources, including gifts, grants, and fund balances. In-state tuition at Arizona community colleges, which was $764 in 1995-96, was the fifth lowest in the country, even after a 27% increase between 1991-92 and 1995-96. Three factors controlling community college funding were outlined: levy limits imposed by the constitution, expenditure limits, and state aid appropriations. Finally, the report provides detailed information on the significance of the different sections of the summary form that accompanies district requests for tuition and fee approval. Contains 6 tables. (CAK)

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ED 431 477

Tuition in Arizona Community Colleges

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Executive Director's Concept Paper
March 1997

JC 990 402

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State Board of Directors for Community Colleges of Arizona

Tuition in Arizona Community Colleges

Arizona's State Constitution calls for public higher education to be as nearly free as possible, yet tuition has become an increasingly important source of revenue for the community college districts in Arizona and across the country. The following paper is intended to provide a broader context for State Board members as they consider the tuition rate requests of the community college districts at the April meeting of the State Board.

Don Puyear, March 31, 1997
puyear@stbd.cc.az.us

Tuition and Fee Polices

A recent report of the State Higher Education Executive Officers (SHEEO) sponsored by the National Center for Educational Statistics (NCES) discussed higher education tuition and fees policies from a national perspective. Key findings of the study reported included the following:

1. College has become less affordable. In recent years tuition has increased much more rapidly than the median household income or the cost of living.

2. Tuition has provided a larger share of schools' revenues as schools' expenditures have increased.

3. Tuition varies widely among states. In general, schools with the highest average tuition were in the northeast, and schools with the lowest average tuition were in the south and west.

4. There are a variety of approaches that have been taken to ease the financial burden. These include:

- limiting tuition increases, either by holding tuition at existing levels or tying tuition charges to changes in the cost of living;
- speeding academic progress by limiting degree requirements or program length, helping to better prepare entering students and reduce the need for remediation, providing college credit through acceleration programs, facilitating the transfer of community college students to four-year schools, and improving academic advising;
- alternative ways of helping students to pay, such as tuition prepayment programs, college savings programs, and monthly payment programs.

In one way or another, each of these strategies is being considered or used in Arizona.

Funding Arizona Community Colleges

Arizona community colleges have three basic sources of funding for operations: (1) local property taxes, (2) State Aid appropriations, and (3) student tuition and fees. Some districts also receive State Equalization Aid, but this is intended to be in lieu of local property taxes. Additional funds may be available from gifts and grants and from accumulated fund balances. Revenue from bonds may only be used for capital projects.

Local Property Taxes

The largest single source of funding for Arizona community colleges is from local property taxes. As is

shown on Table 1—Operating Revenue Sources in 1995-96, property taxes contributed over $258.5 million toward community college operations in that year.

Equalization Aid

Community college districts with assessed valuations below the minimum established by law ($507,864,785 in 1995-96), receive equalization aid. This aid is in lieu of local property tax, and is included in this general category on Table 1. When the $7.6 million of equalization funds are added to the district tax levy proceeds, they account for 63.5% of the new money available for community college operations in 1995-96.

Operating State Aid

Operating state aid is appropriated on the basis of a statutory formula which uses the previous year's appropriation and the growth in enrollment in the second previous year (the most recent audited enrollment data at the time the budget is submitted).

	District Tax Levy	Equali-zation Aid	Tax Levy + Equali-zation	%	Operating State Aid	%	Tuition & Fees	%	TOTAL
Cochise	$7,237,386	$1,400,300	$8,637,686	52.9%	$4,778,400	29.2%	$2,926,375	17.9%	$16,342,461
Coconino	$2,816,734	$0	$2,816,734	44.9%	$1,955,500	31.2%	$1,505,021	24.0%	$6,277,255
Graham	$1,229,665	$6,081,800	$7,311,465	53.6%	$4,318,100	31.7%	$2,006,113	14.7%	$13,635,678
Maricopa	$157,644,580	$0	$157,644,580	68.0%	$33,818,400	14.6%	$40,343,891	17.4%	$231,806,871
Mohave	$6,927,363	$0	$6,927,363	61.4%	$3,008,700	26.7%	$1,345,435	11.9%	$11,281,498
Navajo	$6,749,801	$25,700	$6,775,501	54.9%	$3,539,300	28.7%	$2,020,428	16.4%	$12,335,229
Pima	$39,812,746	$0	$39,812,746	54.2%	$15,359,800	20.9%	$18,253,525	24.9%	$73,426,071
Pinal	$10,547,332	$0	$10,547,332	60.7%	$5,073,200	29.2%	$1,765,426	10.2%	$17,385,958
Yavapai	$13,874,351	$0	$13,874,351	72.1%	$3,863,700	20.1%	$1,498,144	7.8%	$19,236,195
Yuma/ La Paz	$11,653,974	$52,100	$11,706,074	67.4%	$4,234,200	24.4%	$1,431,496	8.2%	$17,371,770
System	**$258,493,932**	**$7,559,900**	**$266,053,832**	**63.5%**	**$79,949,300**	**19.1%**	**$73,095,85**	**17.4%**	**$419,098,986**

Table 1. Operating Revenue Sources in 1995-96

Tuition and Fees

Tuition and fees are the final major source of new funds for community college funding.

Other Sources of Operating Funds

Other sources of operating funds, not included in Table 1, include gifts and grants and fund balances.

Gifts and Grants

While gifts and grants can make an important difference in certain areas of community college operations, they are usually erratic and their total impact on funding is relatively small.

Fund Balances

Fund balances are not new money. They are the accumulation of income in excess of expenditures in previous years. There is no agreement on the optimum size of fund balances. Certainly some reserve is prudent in order to handle unexpected expenses and to enable the college to weather the periodic cycles in economic activity. Fund balances in the Plant Fund often represent a sinking fund for major

renovation or even the construction of new facilities. Fund balances reported in the 1995-96 Annual Report to the Governor are shown in Table 2.

	General Fund	Plant Fund	Total
Cochise	$1,200,000	$1,834,703	$3,034,703
Coconino	$0	$0	$0
Graham	$3,416,568	$11,419,440	$14,836,008
Maricopa	$5,944,593	$72,791,149	$78,735,742
Mohave	$1,380,750	$293,004	$1,673,754
Navajo	$600,000	$675,000	$1,275,000
Pima	$7,875,135	$5,714,032	$13,589,167
Pinal	$1,162,364	$741,793	$1,904,157
Yavapai	$3,156,328	$1,445,473	$4,601,801
Yuma/La Paz	$4,820,449	$933,950	$5,754,399
TOTAL	**$29,556,187**	**$95,848,544**	**$125,404,731**

Table 2. Fund Balances for 1995-96

State	1995-96	State	1995-96	State	1995-96
1. California	$362	18. Nebraska	$1,132	34. Connecticut	$1,646
2. Hawaii	$524	19. Kansas	$1,147	35. Minnesota	$1,658
3. North Carolina	$581	20. Michigan	$1,201	36. North Dakota	$1,698
4. New Mexico	$690	21. Illinois	$1,232	37. Rhode Island	$1,726
5. Arizona	**$764**	**United States**	**$1,245**	38. Iowa	$1,782
6. Texas	$771	22. Missouri	$1,255	39. Wisconsin	$1,840
7. Mississippi	$817	23. Oklahoma	$1,260	40. New Jersey	$1,878
8. Arkansas	$903	24. Delaware	$1,266	41. Pennsylvania	$1,909
9. Wyoming	$948	25. West Virginia	$1,312	42. Indiana	$1,937
10. Nevada	$970	26. Alabama	$1,317	43. Alaska	$2,120
11. Idaho	$991	27. Oregon	$1,338	44. Massachusetts	$2,162
12.Tennessee	$1,022	28. Colorado	$1,340	45. Ohio	$2,261
13. Louisiana	$1,031	29. Maryland	$1,355	46. Vermont	$2,370
14. Georga	$1,062	30. Washington	$1,369	47. Maine	$2,381
15. South Carolina	$1,071	31. Utah	$1,375	48. New Hampshire	$2,420
16. Florida	$1,103	32. Montana	$1,382	49. New York	$2,427
17. Kentucky	$1,112	33. Virginia	$1,433	50. South Dakota	$3,430

Table 3. Public Community College In-State Tuition for a Full-Time Student in 1995-96.

The National Scene

Table 3—Public Community College In-State Tuition for a Full-Time Student in 1995-96, shows that Arizona community colleges enjoy one of the lowest tuition rates in the country. Arizona ranked 5th

behind California, Hawaii, North Carolina, and New Mexico.

Recent Trends in Arizona

In the period between 1991-92 and 1995-96, Arizona community college tuition, as a group, had increased 27.1%. This compares to a 32.9% increase in the national data over the same period. Setting aside the 83.3% increase at Navajo County, since this district had a tuition level very much below the other districts in 1991-92, individual community college districts tuition increases were as little as 4.7% and as high as 35.0% over this period.

	1991-92	1992-93	1993-94	1994-95	1995-96	4-year Change %
Cochise	$690	$690	$750	$750	$780	13.0%
Coconino	$600	$600	$600	$600	$810	35.0%
Graham	$600	$628	$628	$628	$628	4.7%
Maricopa	$780	$870	$960	$960	$1,020	30.8%
Mohave	$510	$520	$520	$580	$580	13.7%
Navajo	$360	$600	$600	$600	$660	83.3%
Pima	$576	$650	$700	$724	$724	25.7%
Pinal	$570	$594	$690	$700	$700	22.8%
Yavapa	$620	$652	$666	$666	$666	7.4%
Yuma/ La Paz	$690	$720	$780	$780	$780	13.0%
Arizona	**$601**	**$681**	**$725**	**$735**	**$764**	**27.1%**
United States	**$937**	**$1,018**	**$1,125**	**$1,192**	**$1,245**	**32.9%**

Table 4. In-State Tuition for a Full-Time Student, 1991-92 to 1995-96.

Factors Specific to Arizona

A number of factors control community college funding that are neither immediately apparent nor necessarily logical.

- **Levy Limits.** Levy limits imposed by the constitution vary widely among the community college districts. As is shown in Table 5—Taxing and Expenditure Limits in 1995-96, the lowest tax rate used by an Arizona community college is 0.3728, which is 100% of the levy limit (Coconino) while the highest tax rate is 1.8356, which is but 86.8% of the levy limit (Yuma/La Paz). This is nearly a five-fold difference in tax rates.

  As is shown in Table 6—Revenue per FTSE in 1995-96, the funds available to Coconino from the local tax levy amounted to $1,856 per FTSE. The local tax funds available to Yuma/La Paz were supplemented by equalization funds to yield $3,907 per FTSE—roughly twice the amount available to Coconino.

- **Expenditure Limits.** While no community college is altogether up against the expenditure limits of the constitution, several are above 95% of this limit. While funds received from additional taxes would be controlled by these limits, *funds received from tuition and fees are exempt from expenditure limits.* This fact can make tuition and fee revenue highly desirable.

- **State Aid Appropriations per FTSE Vary Widely.** The formula for operating state aid operates on the basis of the previous year's appropriation. Over the years a number of anomalies have developed and now there are large differences in the amount of state aid per FTSE the formula produces. Only part of the difference can be attributed to the "economy of scale" of the urban

districts. Even among the rural districts there is a considerable range, and the district most severely limited by levy limits (Coconino) also received the lowest per-FTSE state aid allocation.

	Primary Assessed Valuation	Tax Rate Used	Primary Levy Limit	Actual Primary Levy	Percent of Levy Limit Used	Expenditure Limit Capacity	Expenditure Limit Used ($)	Expenditure Limit Used
Cochise	409,738,705	1.7468	8,566,407	7,157,316	83.6%	19,212,089	18,920,163	98.5%
Coconino	735,540,111	0.3728	2,742,093	2,742,094	100.0%	8,358,792	4,751,252	56.8%
Graham	66,084,400	1.8353	1,212,847	1,212,847	100.0%	14,636,575	12,336,570	84.3%
Maricopa	13,493,736,826	0.9455	127,583,281	127,583,282	100.0%	187,012,331	183,516,266	98.1%
Mohave	830,779,742	0.8404	6,981,873	6,981,873	100.0%	15,372,490	11,608,778	75.5%
Navajo	486,626,476	1.0994	5,490,120	5,349,971	97.4%	11,414,924	11,235,343	98.4%
Pima	3,130,752,720	1.1441	35,818,942	35,818,942	100.0%	54,921,427	53,445,000	97.3%
Pinal	568,183,161	1.6418	14,607,990	9,327,880	63.9%	21,846,849	18,196,645	83.3%
Yavapai	829,329,208	1.5448	12,971,538	12,811,478	98.8%	20,740,002	19,881,725	95.9%
Yuma/ La Paz	523,192,638	1.8356	11,066,570	9,603,724	86.8%	20,841,354	16,396,264	78.7%
System	**$21,073,963,987**		**$227,041,661**	**$218,589,407**	**96.3%**	**$374,356,833**	**$350,288,006**	**93.6%**

Table 5. Taxing and Expenditure Limits in 1995-96.

	Enrollment FTSE	Tax Levy + Equalization	$/ FTSE	Operating State Aid	$/ FTSE	Tuition & Fees	$/ FTSE	TOTAL	$/ FTSE
Cochise	2,928	$8,637,686	$2,950	$4,778,400	$1,632	$2,926,375	$999	$16,342,461	$5,581
Coconino	1,518	$2,816,734	$1,856	$1,955,500	$1,288	$1,505,021	$991	$6,277,255	$4,135
Graham	2,450	$7,311,465	$2,984	$4,318,100	$1,762	$2,006,113	$819	$13,635,678	$5,566
Maricopa	44,911	$157,644,580	$3,510	$33,818,400	$753	$40,343,891	$898	$40,343,891	$5,161
Mohave	2,136	$6,927,363	$3,243	$3,008,700	$1,409	$1,345,435	$630	$11,281,498	$5,282
Navajo	2,128	$6,775,501	$3,184	$3,539,300	$1,663	$2,020,428	$949	$12,335,229	$5,797
Pima	15,050	$39,812,746	$2,645	$15,359,800	$1,021	$18,253,525	$1,213	$73,426,071	$4,879
Pinal	3,260	$10,547,332	$3,235	$5,073,200	$1,556	$1,765,426	$542	$17,385,958	$5,333
Yavapai	2,718	$13,874,351	$5,105	$3,863,700	$1,422	$1,498,144	$551	$19,236,195	$7,077
Yuma La Paz	2,996	$11,706,074	$3,907	$4,234,200	$1,413	$1,431,496	$478	$17,371,770	$5,798
System	**80,095**	**$11,706,074**	**$3,322**	**$79,949,300**	**$998**	**$73,095,854**	**$913**	$1,431,496	**$5,233**

Table 6. Revenue per FTSE in 1995-96.

Tuition Request Form

District requests for tuition and fee approval are accompanied by summary information on their actual current-year budget and a projection of their coming-year budget. A copy of the form used to supply comparative budget data in support of the tuition and fee request is attached. The following brief discussion outlines significance of each of the sections of this form.

In its deliberation to make an informed decision regarding the efficacy of the tuition and fee request, the State Board will review the proposed tuition and fee charges from each district and analyze the source and disposition of funds that constitute the General Fund. The following is a list of key relationships the

Board may wish to examine:

Under the General Heading of Source of Funds

1. Under the Heading of General Tuition and Registration Fees:

- What is the amount of new revenue generated by the tuition/fee change? *Why is this important?* It tells you the impact on the operating budget of the proposed tuition/fee schedule.
- What is the amount of new revenue generated due to the estimated growth in FTSE for the new fiscal period? Recall that State Aid increments for growth lag the actual growth by two years.
- What is the total revenue generated by tuition and fees? What is the relationship between tuition and fees revenue and revenue from other sources?

2. Under the Heading of July 1 Fund Balance Applied:

The fund balance is the amount of revenue that remains from prior periods that is available as a source of funds in the coming fiscal period. The District Governing Board may decide how much of the fund balance to use in support of the current budget. If a district has a large fund balance and elects not to use it, the effect is to place a greater burden on tuition and fees

.3. Under the Heading of Transfers from General Fund:

When a district elects to transfer funds out of the General Fund to another fund, the amount of funds transferred out will not be available to the General Fund.

It is important that the Board consider how much money is flowing out of the General Fund and for what purposes. Tuition and fee revenues are traditionally considered to be in support of instructional activities and, to a lesser extent, to retire bonds or Certificates of Participation (COPS), or for the purpose of building new facilities. In addition, they can be used for renovations or repair of facilities.

Under the General Heading of Disposition of Funds

1. Under the Heading of Salary and Benefit Costs:

Salary and benefit costs often constitute over 80% of the total General Fund budget. Therefore, a relatively small change in the salary scale can have a significant effect on the need for General Fund revenue, and therefore tuition and fees.

2. Other Categories of Operating Expense:

Many items included in these other categories of operating expenses are ongoing or fixed expenses. Large changes from year to year should be explained in the supporting documents accompanying the tuition and fees request.

Final Word

Tuition and fee income has become an essential element in funding Arizona community colleges. The State Board has the responsibility to "Fix tuitions and fees which the community college districts shall charge and graduate the tuitions and fees between institutions and between residents, nonresidents and students from foreign countries." In addressing this responsibility, the Board will keep in mind the following statement from its Vision statement:

In fulfilling our trust, we balance the responsibility to provide statewide governance and oversight with sensitivity to the responsibility of the District Governing Boards as stewards of the respective

STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES

Comparative Budget Data: 1995-96 ACTUAL 1996-97 BUDGETED 1997-98 TENTATIVE

COMMUNITY COLLEGE DISTRICT _____
PREPARED BY _____ DATE _____
CURRENT UNRESTRICTED GENERAL FUND
SOURCE OF FUNDS

		ACTUAL FY '95-'96	BUDGET FY '96-'97	TENTATIVE BUDGET '97-'98 (As of 3/31/97)	% OF INC./DEC FY '98 VS '97
	GENERAL TUITION & REGISTRATION FEES: (see Note 1)				
1	New Revenue Due to increase in T & F (FY'97-'98 only)				
2	New Revenue Due to FTSE Growth (FY'97-'98 only)				
3	Prior Year's Total T & F Revenue				
4	**Sub-total Gen. T & F**				
5	OUT OF STATE T & F (see Note 1)				
6	OUT OF COUNTY REIMBURSEMENTS (see Note 1)				
7	COURSE & LAB FEES				
8	**Total Revenue from T & F**				
9	JULY 1 FUND BALANCE APPLIED (see Note 2)				
10	ALL OTHER INCOME				
11	STATE AID M & O				
12	PRIMARY TAX LEVY				
13	TRANSFERS FROM GENERAL FUND: (Specify)				
14					
15					
16					
17	TRANSFERS TO GENERAL FUND: (Specify)				
18					
19					
20					
21	**Total Revenue in Support of C.U. General Fund**				

Note 1: Report gross revenues generated in the General Fund.
Note 2: Equals Fund Bal. June 30 LESS Reserves, Bd. Designations & other.

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STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES

Comparative Budget Data: 1995-96 ACTUAL 1996-97 BUDGETED 1997-98 TENTATIVE

PAGE 1
COMMUNITY COLLEGE DISTRICT _____
PREPARED BY _____ DATE _____

	DISPOSITION OF FUNDS	ACTUAL FY '95-'96	BUDGET FY '96-'97	TENTATIVE BUDGET '97-'98 (As of 3/31/97)	% OF INC./DEC. FY '98 VS '97
1	SALARY & BENEFIT COSTS:				
2	Increase in Salary & Benefit Costs over prior year				
3	Salary & Benefit Costs prior year				
4	Sub-total Salary & Benefit Costs				
5	CONTRACTUAL SERVICES				
6	UTILITY & COMMUNICATIONS				
7	SUPPLIES				
8	FIXED CHARGES				
9	SCHOLARSHIPS				
10	TRAVEL				
11	MISCELLANEOUS				
12	Total Expenses				

SUPPLEMENTAL SALARY & STAFF DATA

TENTATIVE SALARY INCREASES & NEW FTSE '97-'98
(Report COLA & STEP increases in percentage terms)

FACULTY_____% NEW FTE_____

ADMIN_____% NEW FTE_____
SUPPORT_____% NEW FTE_____
ASSOC. FACULTY_____% NEW FTE_____

INSTL. AVG._____% TOTAL FTE_____

SUPPLEMENTAL FTSE DATA

'95 -'96 ACTUAL	'96 -'97 BUDGETED	'97 - '98 ESTIMATED	% of Inc./Dec. 98 VS '97

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